

South T-Bar Ranch Property Owners Association, Inc.

Minutes for November 8, 2014

Regular Meeting of the Board of Directors

I. CALL TO ORDER 8:00 am

The November meeting of the Board of Directors of the South T-Bar Ranch Property Owners Association was held via conference call and in person at B Cornella's home on the ranch on November 8, 2014. M Wolfe, President, called the meeting to order. A quorum was present with the following directors attending:

- Curtis Eulert
- Michael Omohundro
- Will Hoskins
- Betty Sue Cornella
- Martha Parkey
- Jack Davis – via conference call
- Mike Wolfe
- Joe Price – via conference call
- Anelladee Spencer – via conference call

Margaret Scott – absent

Members present: Ann Eulert, Becky Renck, Paula Hoskins, Rick Avera – via conference call.

II. APPROVAL OF BOARD MINUTES

The October POA Board meeting minutes were presented for approval as amended. A motion to approve the minutes as presented was made by M Wolfe, 2nd by W Hoskins. A Spencer abstained. Minutes were approved.

III. RATIFICATION OF ACTIONS TAKEN SINCE THE LAST MEETING

None.

IV. FINANCIAL REPORT

The October Financial report was presented by B Cornella (attached).

All assessments have now been paid.

Grazing lease fee of \$1800 has been paid.

Final bill for road signs has not been received. W Hoskins will call the Dept of Corrections to follow up.

V. OLD BUSINESS

Committee reports:

Infrastructure:

C Eulert reported that road maintenance on South T-Bar Trail was completed last month.

Reflective Markers: M Omohundro reported that the reflective markers that he purchased for his property are not substantial enough for the ranch roads. He is waiting on samples of the 72" markers for possible ranch roads. They are backordered for 4 weeks, which will delay installation previously slated for December.

Communications: Discussion on having the newsletter sent out more frequently with less content in each issue, perhaps just one page. W Hoskins will work with B Renck to accomplish this.

Legal and Financial: J Price will be meeting with D Johnson in the next week to discuss reserve budget.

2015 Budget and Related Petition: (attached)

M Wolfe reported that the \$21000 that was unspent from the 2013 Budget was due to dry conditions that did not allow for routine road maintenance and a dry year with less snow removal than normal.

He proposed changes to the 2015 Draft Budget to include the 2015 annual assessment be \$350 and to replace the non-functional cistern on the ranch, add an additional cistern at the back of the ranch, proceed with weed removal on the roads, and possibly upgrade the website.

Discussion began with A Eulert asking if it was possible to make the assessment reduction a credit vs. a reduction.

R Avera doesn't agree with the proposed reduced annual assessment; thinking that it is circumventing the petition.

W Hoskins thinks the cost of the cisterns should come out of the reserve funds, not the operating budget.

B Cornella feels that the annual assessment should stay at \$395 or the reserve fund will decrease due to needing funds from it to meet expenses. A catastrophic event could cost more than the current reserve fund. There are more full time residents on the ranch which will increase road maintenance and trash costs.

M Omohundro agrees that the cost of the cisterns should come from the reserve funds.

C Eulert feels the assessment should continue at \$395 because a bad snow year will increase the snow removal costs so much that the lower assessment will not allow enough funds to pay for it. He feels the current budget for the website is sufficient to upgrade it.

J Price stated that there has only been two years where the POA has had sufficient funds to manage the budget. He feels that at least another year of managing the budget in a healthy position is needed before we can think about reducing the annual assessment.

A Spencer cited past discussions on lowering the annual assessment and if the allowed increase is only 12%, it could take too long to get back to \$395 if costs keep increasing every year. She feels it is not productive to decrease the annual assessment.

B Renck agrees with J Price and B Cornella that the budget needs to have more time to be stable before the annual assessment is lowered. The reserve funds still needs to be funded.

M Omohundro feels the reserved fund is correctly funded.

R Avera feels the reserve fund is over funded and feels that even if there is a bad snow year that in 3-4 seasons the costs will even out. He feels the fire cisterns are unnecessary and a luxury.

M Wolfe states it is the board's responsibility to maintain and enhance the property values on the ranch.

J Davis feels a reduced annual assessment will necessitate spending reserve funds and depleting the balance of it.

M Wolfe states the discussion shows the board wants to keep the assessment the same; the cistern costs should come from the reserve funds. The line item Repairs/Maint/Supplies should be increased to \$1000 due to the need to address the noxious weeds along the ranch roads.

Due to a trash removal cost increase, that line item has to be increased.

J Price said that there is currently no means to add capital items to the budget.

W Hoskins motioned that the 2015 Budget be approved as amended. M Omohundro 2nd. Budget was approved.

VI. NEW BUSINESS

Hunting Policy: M Wolfe is concerned that there were as many or more non-POA members unaccompanied by a POA member than actual POA members hunting on the ranch. A policy is needed to address guests and trespassing. He will work on a policy for discussion. A newsletter article about the hunting policy would be a good way to communicate to POA members.

VII. POA MEMBER COMMENTS: .

VIII. CLOSED SESSION: To discuss legal advice received on the petition of the annual assessment. After the closed session, it was announced that the petition was denied. (petition and response attached)

IX. ADJOURNMENT: 10:20 am

Motion was made by C Eulert to adjourn meeting. M Wolfe 2nd. Motion passed and the meeting was adjourned.

Respectfully submitted by
M Parkey, Secretary
South T-Bar Ranch

Prepared by M Parkey

SOUTH T- BAR RANCH POA

Balance Sheet
October 31, 2014

ASSETS:

Operating Funds

Legacy Bank /Checking	\$	365.10	
Legacy Bank / Money Market - General Fund	\$	2,082.79	
Total Operating Funds			<u>\$ 2,447.89</u>

Reserve Funds

Legacy Bank / Money Market - Reserve Fund	\$	117,776.68	
Legacy Bank / Money Market - Reserve Fund	\$	76,661.85	
Total Reserve Funds			<u>\$ 194,438.53</u>

TOTAL ASSETS

\$ 196,886.42

LIABILITIES

Accounts Payable - Prepaid Assessment	\$	395.00	
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TOTAL LIABILITIES

\$ 395.00

EQUITY

POA General Fund 2014	\$	2,052.89	
POA Reserve Fund Balance	\$	194,438.53	
TOTAL EQUITY			<u>\$ 196,491.42</u>

TOTAL NET WORTH & EQUITY

\$ 196,886.42

FENVAAL

SOUTH T-BAR RANCH POA
INCOME STATEMENT

as of October 31, 2014

	Year To Date October 2014	Annual Budget 2014	Variance
Income			
<i>Annual Expense Assessment</i>	45,030.00	45,030.00	-
<i>Annual Road Use Fee</i>	7,110.00	7,505.00	(395.00)
<i>Grazing Lease</i>	1,800.00	3,600.00	(1,800.00)
<i>Interest</i>	125.48	125.00	0.48
<i>Late fee</i>	167.53	100.00	67.53
<i>Ownership Change Assessment</i>	50.00	100.00	(50.00)
<i>Gate Remotes</i>	0.00	45.00	(45.00)
<i>Other Income</i>	128.00	0.00	128.00
Total Income	<u>54,411.01</u>	<u>56,505.00</u>	<u>(2,093.99)</u>
Expenses			
Road Maintenance			
<i>Road Maint. Contract</i>	18,470.50	19,000.00	529.50
Insurance			
<i>General Liability</i>	1,916.00	2,100.00	184.00
<i>Officers Liability</i>	984.00	1,000.00	16.00
<i>Gate Electric/Maint</i>	311.85	560.00	248.35
<i>Trash Service</i>	6,106.50	8,000.00	1,893.50
<i>Newsletter & Communication</i>	0.00	200.00	200.00
<i>Post Office Box</i>	0.00	60.00	60.00
<i>Accounting Fees</i>	900.00	1,400.00	500.00
<i>Legal Fees</i>	610.00	500.00	(110.00)
<i>Corporate Taxes</i>	906.00	750.00	(156.00)
<i>Dues Collection Expenses</i>	0.00	125.00	125.00
<i>Annual Meeting Expense</i>	237.84	1,000.00	762.16
<i>Repairs & Maintenance</i>	313.99	200.00	(113.99)
<i>Misc Expense</i>	546.63	590.00	43.37
<i>Reserves</i>	21,020.00	21,020.00	-
Total operating Expenses	<u>52,323.11</u>	<u>56,505.00</u>	<u>4,181.89</u>
<i>Income (Loss) from Operations</i>	<u>2,087.90</u>	<u>\$ -</u>	<u>2,087.90</u>

South T Bar Ranch POA - Reserve Fund Statement 2014			
	Year To Date October 2014	Annual Budget 2014	
<i>2014 Reserve Income</i>	21,020.00	\$ 21,020.00	
<i>2014 Reserve Interest Income</i>	184.30		
Total Reserve Income	<u>21,204.30</u>	<u>\$ 21,020.00</u>	
2014 Reserve Expenditures			
<i>Road Upkeep Costs</i>	40,452.22		
<i>Road Signs</i>	1,548.86		
Total Reserve Expenses	<u>42,001.08</u>		
Income/Loss from Reserves	<u>-20,796.78</u>		

**South T Bar Ranch POA
Reserve Funds
as of October 31, 2014**

Beginning Reserve Fund Balance	184,403.31
Annual Reserve Contributions 2013	8,360.00
Interest Earnings 2013	215.89
Additional funds from 2013 budget overage	22,256.11
Reserve Balance 01/01/14	<u>215,235.31</u>
Annual Reserve Contributions 2014	21,020.00
Interest Earnings 2014	184.30
Reserve Expenses 2014	42,001.08
Ending Reserve Fund Balance	<u><u>194,438.53</u></u>

**South T-Bar Ranch POA
2015 Budget**

Income:			
Annual Assessment			
	South T Bar	114 @395.00	45,030.00
Annual Road Use Assessment			
	Fremont Parcels	7 @395.00	2,765.00
	Elkview & Hall Gulch	12 @395.00	4,740.00
Grazing Lease			
	2 x per year @1,800.00		3,600.00
Income from Transfer of Ownership			
	\$50 per parcel		150.00
Interest Income			
	General Funds		125.00
Late Fees			
	Late Assessments		110.00
Other Income / gate remotes, etc			
	Annual Operating Income		56,520.00

Expenses:			
Road Maintenance			
	Road Maint Costs	Snow, maint, repairs	24,800.00
Insurance			
	General Liability		2,000.00
	Officer's Liability		984.00
Gate Electrical & Maint			
	Monthly Gate Electricity		375.00
	Gate Repairs / Maint		100.00
Trash Service			
	Various # of containers depending on season		6,450.00
Communications (Newsletters etc)			
	Mailing, Supplies, Copies		100.00
P.O. Office Box			
	P.O. Box Rent		65.00
Accounting Fees			
	Tax Return Preparation		1,000.00
Legal Fees			
	Legal expense		500.00
Corporate Taxes			
	State Tax		125.00
	Federal Tax		800.00
Dues Collection Expenses			
	Postage, Bank Chg, Supplies		150.00
Annual Meeting Expense			
	Annual Meeting Costs		300.00
Repairs/Maint/Supplies			
	noxious weeds, paint, signs, dumpster, etc		1,000.00
Misc Expenses:			
	Web Site		470.40
	Corp Reports/POA Filing		38.38
	Other / gate remotes on hand		62.21
Reserves			
	Capital improvements		17,200.00
	Annual Operating Expenses		66,520.00
	Total Operating Income (loss)		0.00

PETITION

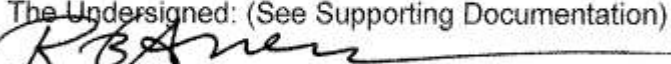
28 September 2014

South T-Bar Ranch Board of Directors
Attn: President
P. O. 1431
Cañon City, CO 81215

Mr. President

The property owners as defined in the South T Bar Ranch Covenants, April 17 2007, petition its board to conduct a vote by ballot to all legal South T Bar Ranch owners/association members as defined by our covenants on the following action- ***Beginning with the FY 15 budget set the annual STB association assessment to \$216.00 yearly per South T Bar Ranch Owner as defined in our covenant*** -and to be completed with results published prior to the FY15 budget meeting.

The Undersigned: (See Supporting Documentation)


Richard B. Averna
STB Parcel #92

Roy Bebee
STB Parcel #14

Elizabeth Conner
STB Parcel #74

Eric & Harold Fahrebrook
STB Parcel #61

Ted Groome
STB Parcel #110

Gary Lack
STB Parcel #77

Ralph Lavedure
STB Parcel #94 & 95

Steve Perez
STB Parcel #91

Trudie Rose
STB Parcel #29

Erick & Mary Snellman
STB Parcel #46

Mark & Tracy Sobczak
STB Parcel #15 & 65

Incl;

- Ballot & Accompanying Discussion
- Supporting Documents

BALLOT

Beginning with the FY 15 budget set the annual STB association assessment to \$216.00 yearly per South T Bar Ranch Owner as defined in our covenant.

YES

NO

Name: _____

Signature: _____

Name: _____

Signature: _____

STB Parcel # (s): _____

10 August 2014

Petition

Discussion

Each year we pay \$395.00 which equates to the association taking in \$56,505.00. However, our operating budget has been \$34,248.98 for the past several years with a surplus each year of 20K or better. For example 2013 we had a surplus of \$22,256.11 and this year 2014 the board anticipates a 21,020.00 for the same.

In addition, the profits from the sale of our mineral interest were 190K (+). The board has unilaterally made the decision to place all of our mining profits in a "reserve fund". The owners were never asked nor did we have an opportunity to vote on any aspect of this "reserve fund". As a limited expense community (LEC) we have no legal requirement to have a reserve but a reasonable one makes sense. However 236K (+) and growing with an annual assessment surplus of 20K (+) is not reasonable. The amount the board has in this fund is a significant amount for an LEC to have on hand, especially when there are no collectively owned assets that must be maintained. The "privately owned" road system is the only real maintenance requirement while all other monetary aspects of the reserve study have never been voted on to resource or maintain. An amount of 75k, in a reserve fund which is twice the operating costs we fund right now seems more than sufficient to maintain the LEC.

A good portion of the profit from selling our collectively owned minerals rights must be distributed back to the members as was discussed and understood, in some form as far back as 2008 Special Meeting of the Members. While the POA, a non-profit, cannot distribute back money to its members, what we can do is to vote to reduce our annual assessments and receive a benefit from the sale of our mineral interests.

The bottom-line is we are in great financial shape. The reserve fund is 236K (+), and there is no need to continue to pay out a \$395.00 yearly assessment. Further, we should get some benefit back from selling our mining interest. Voting to set our annual assessment at \$216.00 will provide that benefit and still fund the operating costs plus a little extra. See the tables below.

Current Board Budget	2014 Budget
Mining Benefit	Not Considered
STB Owner Assessments (395*114)	\$ 45,030.00
Non-Owner (Fremont) fee for private STB road usage (395*7)	\$ 2,765.00
Non-Owner (Elk View & Hull Gulch) fee for private STB road usage (395*12)	\$ 4,740.00
Grazing Lease	\$ 3,600.00
Revenue	\$ 56,135.00
Operating Expenses	\$ 35,485.00
Surplus	\$ 20,650.00

Proposed Budget I Recommend this Starting in 2015	2014 Budget
Mining Benefit	Considered
STB Owner Assessments (216*114)	\$ 24,624.00
Non-Owner (Fremont) fee for private STB road usage (395*7)	\$ 2,765.00
Non-Owner (Elk View & Hull Gulch) fee for private STB road usage (395*12)	\$ 4,740.00
Grazing Lease	\$ 3,600.00
Revenue	\$ 35,729.00
Operating Expenses	\$ 35,485.00
Surplus	\$ 244.00

The Board's Petition Response delivered via e-mail to petitioners, November 9, 2014

Thank you for the petition received by the Board on October 9, 2014. The Board appreciates input from all association members and continues to act in the interest of the membership as a whole. It is the Board's responsibility to develop the budget and establish annual assessments in accordance with the association's by-laws*. The Board will continue to carry out its responsibilities. As you said, the association is in great financial shape because of the good work of this and previous Boards. It is the Board's intention to maintain the association's financial condition and act in a responsible manner.

There are some points in your petition discussion that require clarification. Historically the income from annual assessments covered the expenses of the association. Any funds left over at the end of the year were rolled into a reserve fund. There were seldom substantial excess funds. In 2013 the association had a surplus because of an extremely mild winter, reducing the expenditures on snow removal, and an extremely dry summer where our road contractor was unable to perform routine maintenance. The 2013 surplus was transferred to the reserve fund in 2014 after the December bills were paid. The petition creates the impression that there was a surplus of \$43,276.11 when in fact the surplus was \$21,020. The only reason that this surplus existed was the previously mentioned lack of road maintenance and lack of snow removal. In this situation, the Board explored options to return the \$21,020 to the owners and, if the association had been subject to CCIOA, these unspent dollars would have been returned. Unfortunately since we are not subject to CCIOA the funds had to be transferred to the reserve account.

It is the Board's responsibility to manage the business activities of the association. The association has always had a reserve fund and the mineral incomes were added to that established fund in the normal course of business. Prior Boards identified the association assets, researched their potential life spans and established a reserve plan and reserve budget to effectively manage both the assets and the fund.

The petition states that the reserve fund is growing. In fact the fund dollars are being spent in accordance with the reserve plan to protect and enhance the value, desirability and attractiveness of the ranch property. It is natural for a reserve fund balance to go up and down as expenditures are anticipated and met. This is not a sign that the reserve fund is over-funded. In 2014 new signage was installed and several miles of roads were re-graveled. At the present time the fund balance is \$194,421 not the \$236,000+ noted in the petition discussion.

We examined the minutes of the 2007 and 2008 special meetings for any discussion and understandings regarding the distribution of POA mineral sale income. There are no comments or discussions reflected in the special meeting minutes regarding the distribution of POA mineral sale income. There was some discussion about the return of income during an attorney question and answer session prior to our 2008 annual meeting but the requirement to return funds was a CCIOA requirement and we are not a CCIOA organization.

During the 2014 annual meeting the membership discussed the Board's path forward including the reserve fund and the amount of annual assessment. The members present were in general agreement with and supported Board's existing policies and non-return of funds.

The Board will continue to conduct association business in accordance with the association by-laws. After consideration your petition requesting that a membership vote be conducted on the annual assessment and 2015 budget is respectfully denied. The Board will continue to monitor changing economic conditions and will consider assessment increases or decreases as part of the budget process.

* Bylaws of the South T-Bar Ranch Property Owners Association, Inc. Article III, Section 1, (e) Powers and Duties of the Board of Directors.

"To prepare a budget for the POA in the manner set forth in the Declaration to determine the amount of the expense assessments payable by the Owners to meet the expenses of the Property...decrease or increase the amount of expense assessments..."

Mike Wolfe, President

South T-Bar Ranch Property Owners Association
